

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-343-E - ORDER NO. 2002-851
DECEMBER 16, 2002

IN RE: Petition of Carolina Power & Light Company) ORDER ON
for an Accounting Order to Revise its Nuclear) ACCOUNTING
Generating Assets Cost Recovery Schedule.) TREATMENT

This matter comes before the Public Service Commission of South Carolina ("Commission") on a Petition for an Accounting Order to Revise Its Nuclear Generating Assets Cost Recovery Schedule filed by Carolina Power & Light Company ("CP&L"). By its Petition, CP&L requests an accounting order for regulatory accounting purposes revising the currently approved accelerated cost recovery schedule for CP&L's nuclear generating assets.

Currently, CP&L is authorized by Commission Order No. 1999-75, dated January 29, 1999, to accelerate the cost recovery of CP&L's nuclear generation facilities by a minimum of \$115 million and a maximum of \$165 million over the five year period of January 1, 2000, through December 31, 2004. The Commission has also established annual minimum and maximum amounts of accelerated cost recovery that CP&L may book for regulatory accounting purposes to achieve the five year \$115 million minimum or \$165 million maximum amount of accelerated cost recovery.

CP&L advises the Commission that until recently CP&L was subject to a similar nuclear cost recovery schedule in North Carolina. However, CP&L states that in April of

this year, the North Carolina Utilities Commission, at the request of CP&L, authorized CP&L to modify its accelerated cost recovery schedule for CP&L's nuclear generating facilities by eliminating the annual minimum amount and extending the date by which CP&L must achieve the minimum total accelerated cost recovery until December 31, 2009. The reason for this change was the passage of North Carolina Senate Bill 1078, which required CP&L to greatly reduce the amount of sulfur dioxide and oxides of nitrogen emitted from CP&L's coal-fired generating units by 2009 and 2013, respectively. This new law in North Carolina also allows CP&L to expense the total estimated costs of making emissions reductions, which is in the amount of \$813 million, by December 31, 2009, and requires CP&L to expense 70% of this amount, or approximately \$570 million, over the five year period 2003 through 2007. During this five year period, CP&L's North Carolina retail rates will be frozen. The North Carolina Utilities Commission made the above-referenced changes to CP&L's nuclear accelerated cost recovery schedule because CP&L was concerned that it would be unable to expense these environmental compliance costs and the minimum amount of accelerated nuclear cost and still earn a reasonable return.

For the same reasons presented to the North Carolina Utilities Commission and to maintain accounting consistency between North Carolina and South Carolina, CP&L desires to obtain approval from the Commission to implement the same regulatory accounting changes concerning accelerated nuclear cost in South Carolina. Thus, CP&L requests an accounting order to eliminate CP&L's obligation to accelerate the cost recovery of CP&L's nuclear generating facilities by any minimum amount effective

November 1, 2002, and to extend the date by which CP&L must achieve the minimum total accelerated cost recovery until December 31, 2009. CP&L advises the Commission that its request does not involve a change in any CP&L rate or price and does not involve any Commission rule, regulation, or policy. Further, CP&L requests that this accounting order remain in effect beginning November 1, 2002, and thereafter, until such time as the Commission orders a change.

Upon consideration of CP&L's request, the Commission finds just cause and sufficient reasoning in CP&Ls' Petition to approve CP&L's request for an accounting order. In order to maintain accounting consistency between CP&L's North Carolina and South Carolina operations and to allow CP&L the opportunity to earn a reasonable return after expensing the environmental compliance costs and the minimum amount of accelerated nuclear cost, the Commission finds that CP&L's request should be granted. However, the approval of the requested accounting treatment shall not be considered precedent, and the Commission approval herein granted shall not prejudice the right of any party in a rate or earnings related proceeding to take issue with the amount or with the accounting treatment of these costs in any future rate or earnings related proceeding. Further, the amortization periods for any remaining unamortized balances, if any, will be subject to review and modification as appropriate.

IT IS THEREFORE ORDERED THAT:

1. The Commission approves the Petition of CP&L and hereby issues an accounting order in which CP&L's obligation to accelerate the cost recovery of CP&L's nuclear generating facilities by any minimum amount is eliminated, effective November

1, 2002, and the date by which CP&L must achieve the minimum total accelerated cost recovery is extended from December 31, 2004, until December 31, 2009. Further, this accounting order remains in effect beginning November 1, 2002, and thereafter, until such time as the Commission orders a change.

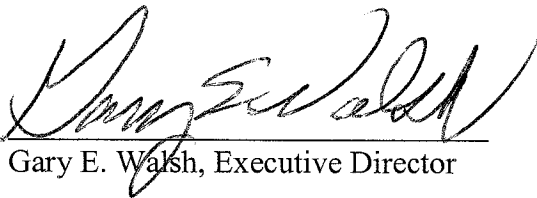
2. Additionally, the approval of the requested accounting treatment shall not be considered precedent, and the Commission approval herein granted shall not prejudice the right of any party in a rate or earnings related proceeding to take issue with the amount or with the accounting treatment of these costs in any future rate or earnings related proceeding. Further, the amortization periods for any remaining unamortized balances, if any, will be subject to review and modification as appropriate.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director

(SEAL)